

Duopharma Biotech (DBB MK)

Resilient Supply Chain

Highlights

- Limited exposure to Middle East export markets, with overall export growth expected to be driven by the Philippines and Singapore.
- Supply chain remains resilient despite geopolitical uncertainties; cost pressures are confined to paracetamol API, which are mitigated by healthy inventory buffers.
- Maintain BUY and target price of RM1.62. Duopharma offers highly visible defensive earnings and bargain valuations.

Analysis

- Inventory build-up strategy.** In response to rising uncertainty, management has proactively increased inventory buffers, lifting finished goods from 2-3 months to 4-6 months and targeting up to 7-8 months from 4-6 months of active pharmaceutical ingredients (API) for key SKUs. The focus is on high-volume and essential medicines, securing supply ahead of further disruptions. This extended inventory coverage provides a meaningful buffer, offering resilience against potential supply disruptions going forward.
- Limited API pressure.** API supply remains largely stable, with only a small subset (<5% of revenue) experiencing price increases - most notably paracetamol APIs, which have risen by 30-50%. The impact is mitigated by existing inventory buffers. Notably, the stockout of Panadol in 2024 drove record sales of Uphamol, suggesting that higher API costs may be partially offset by stronger demand and volume upside for the product.
- ASEAN strength to outweigh Middle East uncertainty.** Export revenue contributed 6% of 2025 sales, with <5% attributed to Middle East markets (eg Yemen, Iraq, Syria), which were already impacted by the June "Twelve-Day War" escalation. For 2026, export sales are expected to grow, driven by sustained momentum in biosimilar Erythropoietin in the Philippines (40% of export sales) and a rebound in Singapore (36% of export sales) following 2025 destocking, more than offsetting a likely decline in Middle East contributions.

Key Financials

Year to 31 Dec (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	814	932	976	1030	1086
EBITDA	146	179	198	205	213
Operating profit	101	134	150	158	165
Net profit (rep./act.)	63	87	102	111	118
Net profit (adj.)	63	87	102	111	118
EPS	6.5	9.1	10.6	11.6	12.3
PE	21.1	15.1	12.9	11.8	11.2
P/B	1.8	1.7	1.8	1.4	1.7
EV/EBITDA	10.6	8.2	12.9	5.8	8.2
Dividend yield	2.3	3.4	4.1	4.4	4.6
Net margin	7.7	9.4	10.5	10.8	10.9
Net debt/(cash) to equity	35.0	26.7	40.2	35.0	26.7
Interest cover	7.1	9.5	7.9	15.5	9.5
ROE	10.1	13.6	8.7	16.3	13.6
Consensus net profit	-	-	103	108	112
UOBKH/Consensus (x)	-	-	0.99	1.03	1.06

Source: Duopharma Biotech, Bloomberg, UOB Kay Hian

BUY (Maintained)

Share Price	RM1.32
Target Price	RM1.62
Upside	22.7%

Analyst(s)

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Stock Data

GICS Sector	Healthcare
Bloomberg ticker	DBB MK
Shares issued (m)	961.9
Market cap (RMm)	1,308.2
Market cap (US\$m)	309.9
3-mth avg daily t'over (US\$m)	0.2

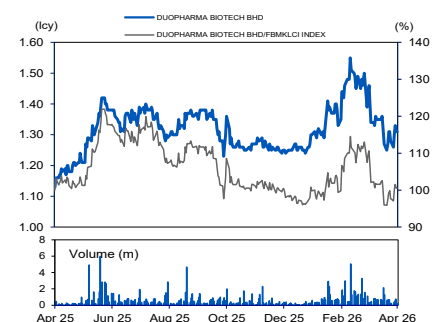
Price Performance (%)

52-week high/low				RM1.55/RM1.11
1mth	3mth	6mth	1yr	YTD
(13.1)	1.4	(4.6)	5.0	1.6

Major Shareholders

	%
PNB	50.9
EPF	9.0

Price Chart



Source: Bloomberg

Company Description

Duopharma is the leading pharmaceutical producer in Malaysia.

- Human insulin contract to come.** Duopharma Biotech (Duopharma) announced two insulin-related letter of awards (LOA) on 16 Feb 26: a) RM52.5m over two years via tender; and b) RM65.1m human insulin over three months via direct negotiation, a bridging contract following the expiry of its previous insulin agreement in Oct 25. Management indicated that the Ministry of Health is expected to award a three-year human insulin contract by the end of the month. This follows its previous human insulin contract valued at RM375m over three years that had expired in Apr 25.
- ESG developments.** Duopharma advanced its ESG agenda in 2025 by completing its mid-term ESG strategy, conducting double materiality assessments, and strengthening climate risk analysis aligned with IFRS S2. It also established a water management framework and assessed key suppliers. ESG scores remained strong at 4.1, supported by sustained governance and social performances. For 2026, its focus will shift to executing long-term ESG targets, refining net zero transition plans, enhancing climate disclosures, and reducing single-use plastics, while maintaining FTSE4Good inclusion.

Valuation/Recommendation

- Maintain BUY with an unchanged target price of RM1.62.** We continue to like Duopharma for its defensive and domestically-driven growth and as a forex tailwind beneficiary. Our PE peg of 15.3x is based on Duopharma's -0.5SD to its seven-year average mean PE, a switch from 14.7x based on the company's pre-pandemic mean. Now that valuations have normalised since the pandemic, we have opted for valuations to reflect a full business cycle.

Earnings Revision/Risk

- No changes to earnings.** Key risks include single customer concentration (50% of Duopharma's sales are from the government) and the strengthening of the US dollar.

Share Price Catalyst

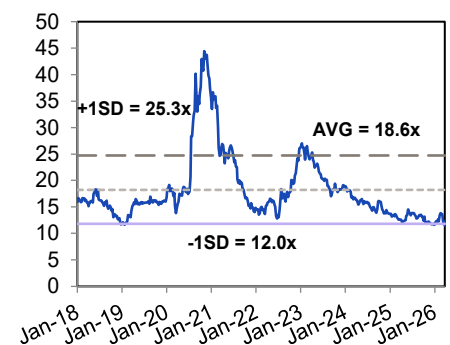
- Net beneficiary of ringgit strength.** Duopharma has left its net US dollar exposure unhedged for this year. After factoring in export sales as a natural hedge, the company's 2025 earnings are estimated to increase by approximately 0.3% for every 1.0% depreciation of the US dollar against the Malaysian ringgit. We have assumed a forex rate of US\$3.90/RM for 2026.

Assumptions

	2025F	2026F	2027F
Revenue (RMm)	976	1030	1086
Local gov. (RMm)	477	492	507
% of revenue	49%	48%	47%
Local private (RMm)	451	482	516
% of revenue	46%	47%	48%
Export (RMm)	48	55	62
% of revenue	7%	5%	6%
	2025F	2026F	2027F
PAT (RMm)	102	111	118
Growth yoy (%)	16.5%	8.4%	6.5%
3-yr CAGR (%)	19.2%	20.8%	10.4%
Gross profit margin (%)	39.8%	41.1%	41.1%
PAT margin (%)	10.4%	10.7%	10.8%

Source: UOB Kay Hian

Seven-Year Forward PE Band



Source: Bloomberg, UOB Kay Hian

Environmental, Social, Governance (ESG)

Environmental

- Material management. Duopharma aims to replace 50% of single-use plastics throughout its operations with biodegradable plastics by 2026. Duopharma also aims to be carbon neutral by 2030 and achieve net zero carbon emissions by 2050.

Social

- Diversity and inclusion. Women made up 43% of its total workforce as at end-24 (41% in 2023) compared with 47.2% at end-21.

Governance

- Board balance and composition. 55% of its board members are independent directors.

Source: Duopharma, UOB Kay Hian

Profit & Loss

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Net turnover	932	976	1030	1086
EBITDA	179	198	205	213
Deprec. & amort.	46	48	47	48
EBIT	134	150	158	165
Total other non-operating income	0	1	1	1
Associate contributions	0	0	0	0
Net interest income/(expense)	-19	-19	-16	-14
Pre-tax profit	115	131	142	151
Tax	-27	-28	-31	-33
Net profit	87	102	111	118
Net profit (adj.)	87	102	111	118

Balance Sheet

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Fixed assets	554	536	519	501
Other LT assets	75	70	70	70
Cash/ST investment	291	376	406	460
Other current assets	529	497	524	553
Total assets	1448	1479	1520	1585
ST debt	147	137	132	127
Other current liabilities	167	177	186	197
LT debt	345	325	305	305
Other LT liabilities	31	31	31	31
Shareholders' equity	758	809	864	923
Total liabilities & equity	1448	1479	1520	1585

Cash Flow

Year to 31 Dec (RMm)	2025	2026F	2027F	2028F
Operating	107	191	134	140
Pre-tax profit	115	131	142	151
Tax	-27	-28	-31	-33
Deprec. & amort.	-46	-48	-47	-48
Associates	0	0	0	0
Working capital changes	-57	46	-17	-18
Other operating cashflows	21	-5	-6	-8
Investing	-27	-25	-24	-22
Capex (growth)	-27	-30	-30	-30
Proceeds from sale of assets	0	0	0	0
Others	0	5	6	8
Financing	-54	-81	-81	-64
Dividend payments	-34	-51	-56	-59
Issue of shares	0	0	0	0
Proceeds from borrowings	58	0	0	0
Loan repayment	-78	-20	-20	0
Others/interest paid	-1	-10	-5	-5
Net cash inflow (outflow)	25	85	30	54
Beginning cash & cash equivalent	265	291	376	406
Changes due to forex impact	1	0	0	0
Ending cash & cash equivalent	291	376	406	460

Key Metrics

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	19.3	20.3	19.9	19.6
Pre-tax margin	12.3	13.4	13.8	13.9
Net margin	9.4	10.5	10.8	10.9
ROA	6.0	6.9	7.3	7.5
ROE	11.6	12.9	13.1	13.0
Growth				
Turnover				
EBITDA	14.5	4.7	5.5	5.4
Pre-tax profit	22.8	10.4	3.5	3.8
Net profit	43.6	13.9	8.6	6.2
Net profit (adj.)	39.6	17.1	8.6	6.2
EPS	39.6	17.1	8.6	6.2
Leverage	39.6	17.1	8.6	6.2
Debt to total capital				
Debt to equity				
Net debt/(cash) to equity	34.0	31.3	28.8	27.3
Interest cover	65.1	57.2	50.7	46.9

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